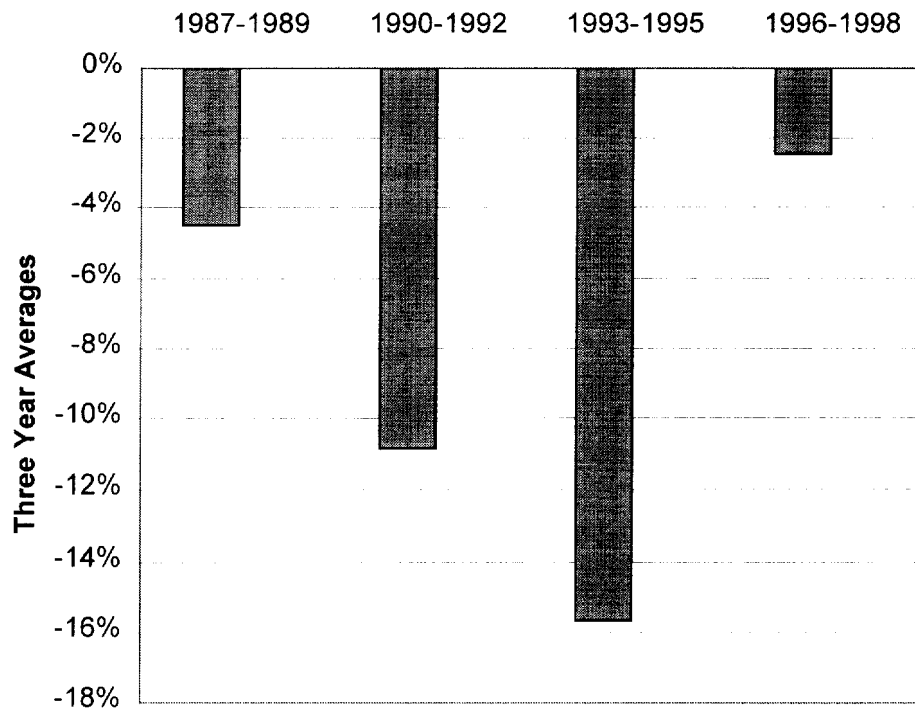


Data from FCC TFP Study

BOC LEC Employees		Change over Three years	
1986	482,698		
1987	477,714	1987-1989	(21,549)
1988	466,827	1990-1992	(49,982)
1989	461,149	1993-1995	(64,324)
1990	443,105	1996-1998	(8,439)
1991	414,457		
1992	411,167		
1993	395,639		
1994	367,196		
1995	346,843		
1996	338,040		
1997	338,177		
1998	338,404		

Percent Change Employees	
1987-1989	-4.5%
1990-1992	-10.8%
1993-1995	-15.6%
1996-1998	-2.4%

Percent Change, BOC Employees (3 -Yr Avgs.)



When one compares the timing of these force reductions with the measured X-Factor gains in the updated 1997 Staff TFP Study, it is apparent that these force reductions were a major factor in the higher productivity gains through 1995. Their completion is also largely responsible for the lower measured X-Factors in the 1996-98 time frame in the FCC model.

Based on these factors, the Commission should prescribe a conservative X-Factor prospectively. To preserve “regulatory constancy”, the Commission should continue to use its 1997 Staff TFP study to estimate historical X-Factors. The September 10, 1999 USTA update provides a reliable basis to prescribe a forward-looking X-Factor of 4 percent. The Commission should concentrate on removing services from price cap regulation as quickly as possible, allowing market forces rather than regulatory fiat to set access prices.

E. The Commission Should Adopt The Calls Proposal

The Commission currently has before it a proposal by the Coalition for Affordable Local and Long Distance Services (“CALLS”) that would, as part of a comprehensive plan to reform access charges and implement universal service, make it unnecessary to address the issues raised in the FNPRM.¹⁵³ BellSouth is a signatory to the CALLS proposal and fully endorses its adoption by the Commission. As these Comments demonstrate, the 6.5 percent X-Factor adopted in the 1997 LEC Price Cap Performance Review cannot be justified for either the remand period or prospectively. The CALLS proposal therefore includes a major, pro-consumer concession on the part of the price cap LECs that cannot lawfully be imposed if the Commission proceeds to a decision in this docket.

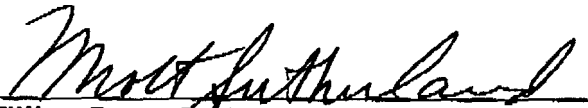
¹⁵³ See *Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Low-Volume Long Distance Users, Federal-State Joint Board on Universal Service*, Notice of Proposed Rulemaking, CC Docket Nos. 96-262, 94-2, 99-249, and 96-45, FCC 99-235 (rel. Sept. 15, 1999).

VIII. Conclusion

BellSouth has demonstrated that the 1997 Staff TFP Study does not justify the Commission's decision to adopt a 6.5 percent X-Factor. The 1997 Staff TFP Study (either in its original form or updated to incorporate later data) is the only evidence upon which the Commission can lawfully rely in setting the X-Factor for the remand period. Even if the Commission could rely on studies not in the record before the Court of Appeals, the 1999 Staff TFP Study and the Staff Imputed X Study are so fundamentally flawed that they will not support a lawful represcription of the X-Factor. Professor Gollop's simulation of the 1999 Staff TFP Study demonstrates that if sound economic principles are applied and methodological and data errors are corrected, the 1999 Staff TFP Study produces an X-Factor slightly lower than that produced by the updated 1997 Staff TFP Study. The Staff Imputed X Study is a repudiation of price cap regulation that warrants no consideration in the Commission's decision. The Commission can avoid having to decide the issues presented in this docket by adopting the CALLS proposal.

Respectfully submitted,

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BELLSOUTH TELECOMMUNICATIONS, INC.
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January 7, 2000

Comments of BellSouth
CC Docket No. 94-1 and 96-262

Attachment 1

Summary of Newspaper Accounts of Early Retirement Plans: 1991-93

ATTACHMENT 1 – BELL SOUTH SUMMARY OF NEWSPAPER ARTICLES

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
Air France	12/09/93 The Plain Dealer	Reduce work force by 2,100 or approximately 5% in 1994.	
Alcatel Network Systems, Inc.	07/26/93 Business Dateline; Triangle Business	Restructuring – could affect more than 1,000 jobs by September 1993 – 1,050 employees are eligible for early retirement incentive package. This is the 2 nd major restructuring for Alcatel since early 1992.	Offered to employees who are at least 50 years old – company will calculate the retirement package by adding 5 years of service and 5 years of age to bring the age base to 55 years and then calculate the annuity amount. Benefits will begin September 1. Also, the company will offer a lumpsum amount to each employee, the amount of which will vary according to the employee's work history. Referred to as a "standard" retirement package.
American Cyanamid Company	10/25/93 Chemical Marketing Reporter	**Same article as the one on Pfizer** Announced a downsizing of 2,500 workers in its remaining segments over the next 3 years.	
Anheuser-Busch Cos. Inc.	10/11/93 Business Insurance	Reducing its salaried work force by 10%, or approximately 1,200 positions by the end of 1994.	
AQMD	12/03/93 PR Newswire	Early retirements (and layoffs) "last summer" reduced the agency's full-time work force by more than 21%, from 1,163 to 915 employees	
AT&T	01/24/91 PR Newswire	States AT&T's earnings. Mentions at year-end, total work force was 273,700, compared to 283,500 a year before, as many left under early retirement or other voluntary programs.	
Bayer	11/17/93 Chemical Week	During 1992, Bayer implemented a program based on incentives for early retirement, reducing work force to 3,250.	
Bristol-Myers Squibb Co.	11/08/93 Chain Drug Review	It is offering early retirement programs in an effort to control costs and to reduce the risk of furloughing other employees.	
Brunswick Mining and Smelting Corp.	11/15/93 American Metal Market	Mining division is scheduled to put in place a 3-part voluntary employee reduction program for a 6-week period beginning 11/15/93.	Appeals to workers 55 or older or those who have more than 20 years' service with the company.
Canada	12/13/93 Buffalo News	Discussion of Canada's recession in 1990-1992.	
Coors	07/19/93 Modern Brewery Age	Job cuts representing approximately 20% of 2,500 white collar work force.	
	11/01/93	Last summer Coors announced plans to trim 500 white-	

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
	Associated Press	collar jobs. Company estimated the work force reduction would result in a pretax cost between \$65 million and \$75 million.	
	10/27/93 Associated Press	233 employees accept early retirement.	Permits participants to add 5 years to age and 5 years to length of employment to calculate retirement benefits. A second voluntary severance package gives 4 weeks' pay for each year of employment, with a cap at 2 years' salary.
Dairy Industry	12/92 Delta Communications Inc. Dairy Foods Magazine	Kraft attempted to reduce its work force by 1,000 in May by offering early retirement packages to qualified white-collar employees.	
Delta Air Lines, Inc.	08/23/93 Atlanta Journal and Constitution	Delta announced an early retirement program aimed at reducing work force by 3,000 people.	Program name is Leadership 7.1 Program, as per 10-K form filed 09/28/94.
	09/06/93 Business Insurance	"Sweetened retirement benefits." Hopes to cut work force by 1,000 through early retirement program being offered to approximately 3,000 employees. Airline will take a one-time charge of approximately \$70,000 for each individual who accepts the offer.	Employees at least 52 years old on or before 11/01/93 are eligible. Five years of age or service, or a combination of the two totaling five, will be added to their defined benefit pension calculation formula. Delta will waive the early retirement medical premium for the retirees and their spouses for those retiring before age 65. Airline will take a one-time charge of approximately \$70,000 for each individual who accepts the offer.
Du Pont	01/93 SAM Advanced Management Journal	**Same article as General Article listed at end of this chart** Offered early retirement programs to trim work force. In 1992, all 6,500 employees who were offered early retirement agreed to retire.	
Eli Lilly & Co.	10/25/93 Business Insurance	Will reduce its work force by as much as 10% through early retirement program. Expects about 2,000 – 3,000 eligible employees to exercise this option.	Program will be offered to employees whose age plus years of service equal 76 or greater by Dec. 31. Under the program, the normal 3% per year reduction for early retirement will not be applied. Employees who opt for the program by Dec. 9 will receive 4 years toward the age-and-service requirement and a lump-sum payment of one-half month of base salary multiplied by years of service, up to a maximum of one year's base salary. Early retirements will be effective Dec. 31.
	12/16/93 Seattle Post-Intelligencer	Announced it is eliminating 2,600 positions in voluntary early retirement program.	
	12/17/93 Orlando Sentinel	More employees than expected opted for early retirement package. Almost 1,900 of 2,500 eligible	

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
		employees in the U.S. accepted.	
Ethyl	10/27/93 Chemical Week	Plans to reduce the number of its employees by 155 mostly through an early retirement program. Company expects to take a \$6 million or 5 cts/share, after-tax charge against 3 rd quarter earnings. Program will result in annual after-tax savings of \$10 million.	
Fieldcrest Cannon	11/03/93 PR Newswire	182 of approximately 400 eligible employees accept voluntary retirement.	
Ford Motor Co.	03/01/91 Chicago Tribune	Unveiled a sweeping series of cost-cutting moves aimed at trimming \$3 billion in expenses.	Early retirement would be offered in March and observers estimated Ford was targeting 10,000 of its 52,000 salaried employees. Workers age 55-62 with 10 years of service would be eligible w/ monthly payments equal to approximately 40% of their current salary until age 65, when the payments would decrease.
FPL	10/25/93 New York Times	FPL to cut work force by approximately 1,700 positions.	
General Motors	02/20/93 The Record	New program follows popular early retirement programs offered last year to white-collar workers over 50 that reduced work force from 91,000 to 79,000. It's trying to cut 74,000 blue and white-collar jobs.	
	03/04/93 St. Louis Post-Dispatch	Plans to reduce hourly work force to 250,000 by 1995, from 304,000 now and 288,000 by the end of 1993.	Retirement program was twofold: One part offered early retirement benefits for workers at least 50 years old with 10 years' experience. Benefits depended on length of service. Another part offered active workers 62 or older normal retirement benefits plus a \$10,000 voucher for the purchase of a new GM vehicle and a \$3,000 rebate.
Georgia Power	12/13/91 Atlanta Journal and Constitution	Approximately 600 employees, 55 years or older with at least 10 years service have been offered early retirement. Acceptance deadline is Dec. 31.	In some cases, an employee who elects to participate in the voluntary program might receive more than one year's salary and benefits, depending on length of service.
GTE Corp.	03/14/93 Dallas Morning News	Wants to reduce work force of 81,000 through voluntary severance packages and early retirements.	
Hewlett-Packard	01/93 SAM Advanced Management Journal	**See article below re IBM – same article** Has reduced its work force by 5.5% since 1989 without abandoning its non-layoff policy.	
	01/92 Personnel Journal	**Relates to plan in the late 80's.**	Details of the plan in the late 80's – 2 types of programs. 1) payout averaged one-year's salary and all accrued retirement benefits to employees who were at least 55 years old and had served at least 15 years 2) program was based on a formula of 6

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
			months' plus 2 weeks pay per year of service. Maximum payout was 1 year's salary.
IBM	08/09/93 Newsweek	Lou Gerstner announced he would reduce work force by 35,000 workers, which would reduce the company's work force to around 225,000 employees in 1995, down from a peak of 406,000 in 1985. To pay for the cost of eliminating these jobs, it will take an \$8.9 billion charge against its earnings.	
	08/10/92 Business Journal-Charlotte	Discussion of early retirement IBM employees who are going to work for Solectron – describes early retirement package of IBM employees. 32,000 employees will leave under the early retirement plan.	Two weeks' salary for every year worked at IBM, capping it at 52 weeks of pay. Employees then take a leave of absence with full medical and dental benefits.
	09/14/92 Austin Business Journal	Profile of an IBM employee who took early retirement.	He received one year's salary and retirement pay.
	01/93 SAM Advanced Management Journal	Reduced its work force from 405,000 in the mid-1980s to approximately 320,000 in 1991. Employment is expected to be reduced by another 20,000 in 1992.	
	03/11/93 Facts on File World News Digest	Would reduce its work force in 1993 by more than the previously announced figure of 25,000 employees. IBM had cut its work force by more than 100,000 people since 1986 through early retirement packages.	
Johnson & Johnson	10/25/93 Chemical Marketing Reporter	**Same article as the one on Pfizer** States that it has announced in the past few month is that it is scaling back	
Kodak	08/09/93 New York Times	In 1986 and 1987 it shed about 13,000 workers worldwide. In 1991, 8,300 workers left to take advantage of early retirement program which some investors criticized as too generous. The company had counted on a reduction of only 3,000 – 4,000 employees and was surprised when so many took advantage of the offer.	Per 10-K form covering 1992 activity, the voluntary early retirement program was known as the Resource, Redeployment and Retirement ("RRR") Plan. 10-K discusses one individual, Mr. Fowble, who will receive an unreduced retirement benefit, one year's salary, monthly payments equal to the social security payment he would be entitled to receive at age 62, payable from the date of retirement until he reaches age 62, company paid health care during retirement, and a lump sum payment equal to 2 years of retirement benefit. Eligible employees who elected to retire between 10/1/91 and 12/1/91 became entitled to: (1) a retirement income benefit that is not reduced for early retirement; (2) a Social Security bridge payment payable for the number of months before the retiree attains age 62; and (3) a special separation allowance equivalent to 2 weeks of pay for

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
			each year of service, up to a maximum of 52 weeks.
Lockheed Fort Worth Co.	09/06/93 Business Insurance	**Same article as the Delta article.** Approximately 1,600 employees qualify for incentives.	One-time, lump-sum offer of one week's pay for each year of service for workers who retire between July 1 and Nov. 1. Offer is open to employees at the Fort Worth unit who already meet the qualifications of retirement, which include an age of 55 and at least 10 years service with Lockheed.
Lukens	11/18/93 Pittsburgh Post-Gazette	Plans to cut 150 jobs. It has 3,315 employees.	
Lykes Brothers Steamship Co. Inc.	08/06/93 St. Petersburg Times	Plans to reduce work force by 700 through early retirement programs.	
Merck	07/20/93 Business Wire	Goal of reducing its work force by 1,000 people worldwide through early retirement. Merck has exceeded this goal with a reduction of approximately 2,100 positions at a cost of \$450M.	
	07/20/93 Business Wire	Merck announced in March it planned to reduce work force by 1,000 and announced today that the reduction should be complete by the end of 1993.	
New England Telephone	05/14/93 PR Newswire	In 1992 implemented work force reductions.	
Norfolk Southern	08/21/93 Washington Times	Said it is offering early retirement plan which could reduce nonunion work force by approximately 13%.	
Northeast Utilities	10/28/93 Hartford Courant	Laid off more than 300 workers. Between 1987 and the end of 1993, company expects to have reduced work force by approximately 2,000 employees.	
Nynex		Experienced recent cutbacks.	
PacBell	12/21/93 Associated Press	In 1990 it said it planned to cut 11,000 jobs by the end of 1994. Approximately 9,500 have left the company since then, all but 11 of them through attrition and early retirement plans.	
Pfiser, Inc.	10/25/93 Chemical Marketing Reporter	Announced plans to downsize by 3,000 jobs worldwide. Most of the employee reductions in the drug industry have occurred as part of early retirement programs. Took a \$525 million after-tax charge for its announced restructuring program in the 1993 3 rd qtr.	
Philip Morris	11/27/93 Courier-Journal	Said it will cut worldwide work force by 8% and will eliminate 900 jobs at Richmond, Virginia plant.	
Proctor & Gamble	Referenced in Kodak article of 03/11/93	Mentions that it cut jobs.	

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
	07/26/93 Pensions & Investments	Discusses P&G's planned reduction of work force by 13,000.	Formula starting with 2 months' base salary plus ½ a month's salary for each full year of service. Minimum payment is 3 times the final months' salary and the maximum payment is 12 months' salary. Health & life insurance benefits will continue for a maximum of 12 months.
Raytheon	10/30/93 Boston Globe	800 employees will leave under voluntary early retirement program, 600 of which will be in Massachusetts. This will reduce Massachusetts work force about 8%. It has steadily cut its staff since 1989.	
Southern New England Telecommunications Corp.	10/28/93 Hartford Courant	**Same article as the one on Northeast Utilities** Has made similar early retirement offers and now says layoffs are on the horizon in 1994.	
Texas Utilities	01/05/93 Dallas Morning News	Several Texas utilities recently have made large work force reductions through early retirement. Approximately 1/3, or 4,700 Texas Utility Co. employees took offers to leave in 1992. Houston Lighting & Power Co. eliminated 1,600 jobs in 1992. In 1991, 3,750 workers accepted early retirement offers from Southwestern Bell .	
Toyota Motor Corp.	07/27/93 Courier-Journal	Said it will reduce its U.S. salaried work force of 3,000 by 150 within 2 years through early retirement and attrition.	
United Illuminating	10/28/93 Hartford Courant	**Same article as the one on Northeast Utilities** It is completing an organization review that could affect some of its 1,500 employees in early 1994.	
University of California	03/23/91 The Recorder	Description of retirement plans offered.	Professors get a check worth 3 months pay and increased monthly retirement payments that can vary from a 10-25% increase in their monthly retirement benefits, which are paid the rest of their lives. One professor from Hastings College of the Law stated that the monthly payments can ultimately be worth \$25,000 – \$30,000. One Professor was offered: A lump-sum severance payment equal to 25% of his annual salary and an increase of approximately 10% in his monthly retirement check. Retirement benefits are based on age, avg. salary and years Of service. For participants, an extra 5 years Of service is tacked on which can increase retirement benefits up tot 25%.

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
Upjohn Company	10/25/93 Chemical Marketing Reporter	**Same article as the one on Pfizer** Announced plans to downsize by 1,500 jobs worldwide. Charge for restructuring totaled \$183 million, after-tax, resulting in a \$30 million loss.	
Utah Powers	12/93	Vice Pres. Robert Gordon accepted an early retirement program.	
Volkswagen	02/10/93 New York Times	Plans to cut 36,000 jobs.	
Xerox	02/92 Corporate Cashflow Magazine	Took a \$175 million hit to 4 th quarter earnings to pay enhanced severance packages.	Cost is expected to average \$70,000 per employee. Offer provides incentives for employees 50 years old or older and who have at least 8 years service. Those with at least 20 years of service qualify for the top benefit – 18 months of salary and medical benefits. Those with between 8 and 20 years service get 15 months of salary.
General Article Covering Several Businesses	12/09/93 Facts on File World News Digest	<p>Among recent employee reductions:</p> <p>Philip Morris – announced plans to eliminate 8% of its work force, or about 14,000 jobs over 3 years</p> <p>NCR Corp., a division of AT&T – announced that it would seek to cut 7,500 jobs, or 15% of total work force, by offering early retirement package to 25,000 current employees.</p> <p>RJR Nabisco Holdings Corp. – unveiled plans to cut its 63,000 employee work force by 9.5% or 6,000 workers over several years.</p> <p>The Boeing Co. – announced that as many as 3,000 jobs would be cut over 1994.</p> <p>Baxter International, Inc. (hospital products maker) – said it would eliminate 7.3% of its work force, or 4,500 jobs over 5 years.</p> <p>BankAmerica Corp. – announced between 3,000 and 3,750 jobs would be eliminated by end of 1994. Company currently had 98,000 employees worldwide.</p> <p>Warner-Lambert Co. (pharmaceutical co) – said it would cut 2,800 jobs, or 8% of its global work force over the next few years. One-half of the jobs eliminated will be in the U.S.</p> <p>Xerox Corp. – unveiled restructuring plan calling for job cuts totaling 10,000, or 10% of worldwide work</p>	

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
		force, by 1996. Company will also take a one-time charge of \$700 million in the 4 th quarter to cover the costs of the restructuring.	
General Article re Downsizing	01/18/93 Industry Week	87% of domestic organizations undertook cost-cutting initiatives during the last 5 years, 86% of companies abroad also downsized. Same study found that US, Canada, United Kingdom, Germany and Japan have all increased downsizing drastically during the last 6 years. Downsizing worldwide stood at a projected all-time high in 1992.	
General Article re No-Layoff Policies and Corporate Financial Performance	01/93 SAM Advanced Management Journal	Lists firms with no-layoff policies. Du Pont offered early retirement programs to trim work force. In 1992, all 6,500 employees who were offered early retirement agreed to retire.	
General Article re voluntary severance plans	10/15/91 The Boston Globe	Describes common types of retirement plans	Most common is an early retirement program, where a co. will offer to artificially add years to an older employee's age or length of service, making the worker eligible for a pension. The other common type is lump-sum offer in which employees are offered a certain number of weeks' pay for each year of service with the company.
General Article re Voluntary Buyouts	10/29/92 USA Today	Discusses how many "voluntary" retirement offers are not really voluntary.	States that typically, the companies add years to an employee's age and length of service to allow the employee to collect benefits. Typical benefit is 2 weeks' pay for every year of service, up to a year's salary.
General Article re Early Retirement Offers	04/04/93 Orlando Sentinel Tribune	Profiles 2 former Southwestern Bell employees who chose to accept early retirement proposals.	Southwestern Bell offered full retirement health benefits plus, for one of the parties, one year's salary and a full pension and for the other, a lump-sum payment of all her pension benefits.

CERTIFICATE OF SERVICE

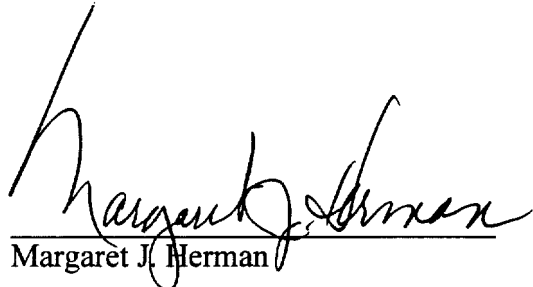
I hereby certify that I have this 7th day of January, 2000, served the following parties to this action with a copy of the foregoing **COMMENTS ON FURTHER NOTICE OF PROPOSED RULEMAKING**, reference CC Docket No. 94-1 and CC Docket No. 96-262, by hand delivery or by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties listed below:

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*** VIA HAND DELIVERY**